

**PUBLIC DISCLOSURE**

JULY 26, 2002

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CHELMSFORD CREDIT UNION**

50 BILLERICA ROAD  
CHELMSFORD, MASSACHUSETTS 01824

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **CHELMSFORD CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income individuals, in a manner consistent with its resources and capabilities.

The credit union's Satisfactory rating is based upon its performance under the following criteria:

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods is 51.2 percent and meets the standards for satisfactory performance at this time.

Lending within the assessment area is considered to meet the standards of satisfactory performance. For 1999, 2000, 2001 and year-to-date July 26, 2002, the credit union granted a total of nine real estate related loans and all were located within its assessment area. Also, the credit union granted 577 consumer loans during the current examination period. An analysis of a sample of 60 consumer loans revealed that 44 loans or 73.3 percent were to members who work or reside within the Town of Chelmsford.

Analysis of the credit union's lending activity by borrower income revealed that 44.4 percent of real estate related originations and 36.4 of the consumer loan sample were granted to low and moderate-income members within the credit union's assessment area. A rating of meets satisfactory performance was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Chelmsford Credit Union is a state-chartered institution headquartered in Chelmsford, Massachusetts. In 2001, the credit union petitioned the Division of Banks to amend its field of membership to include those residing or working within the town of Chelmsford. Additionally, the name of the credit union was changed to Chelmsford Credit Union. The credit union's sole office is located at 50 Billerica Road in Chelmsford, Massachusetts. A community credit union, Chelmsford Credit Union is member-oriented and is committed to ascertain and meet the credit needs of all its members. The credit union currently has 924 members.

As of June 30, 2002, the institution had total assets of \$4.3 million with total loans representing \$1.8 million or 41.9 percent of total assets.

The table below depicts the composition of the credit union's loan portfolio based on the NCUA Call Report of Condition.

<b>Chelmsford Credit Union's Loan Portfolio as of June 30, 2002</b>		
<b>Loan Type</b>	<b>Amount</b>	<b>Percentage</b>
Used Auto	\$740,556	40.9
New Auto	\$372,369	20.6
Unsecured Loans	\$350,777	19.4
Real Estate Loans.	\$176,607	9.7
All other	\$169,913	9.4
<b>Total</b>	<b>\$1,810,222</b>	<b>100.0</b>

Source: 5300 Call Report

As the above table indicates, the credit union's portfolio is focused upon consumer loans, with auto loans representing 61.5 percent of the loan portfolio.

The credit union employs 3 part-time individuals including a Treasurer, a Manager/Loan Officer, and a Customer Service Representative. Office hours are Monday, Tuesday and Thursday 9:00 AM to 4:30 PM, Friday 9:00 AM to 4:00 PM, and Wednesday 9:00 AM to 12:PM.

The credit union provides members with direct deposit for payroll and automatic payroll deduction for loan payments.

There appears to be no significant financial or legal impediments which would limit the credit union's ability to help meet the credit needs of its assessment area other than its small asset size and limited resources.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on April 16, 1998. That examination resulted in a Satisfactory rating.

## **DESCRIPTION OF ASSESSMENT AREA**

Chelmsford Credit Union has defined its assessment area as the Town of Chelmsford pursuant to the provisions outlined within the credit union's by-laws which state: "Membership in this Credit Union is limited to individuals who work or reside in the town of Chelmsford and their immediate families..."

The Town of Chelmsford is composed of three census tracts. Two are upper-income census tracts and one is a middle-income census tract, as defined by HUD. Housing stock within the town is predominantly owner-occupied with 79.69 percent of all housing units falling in that category.

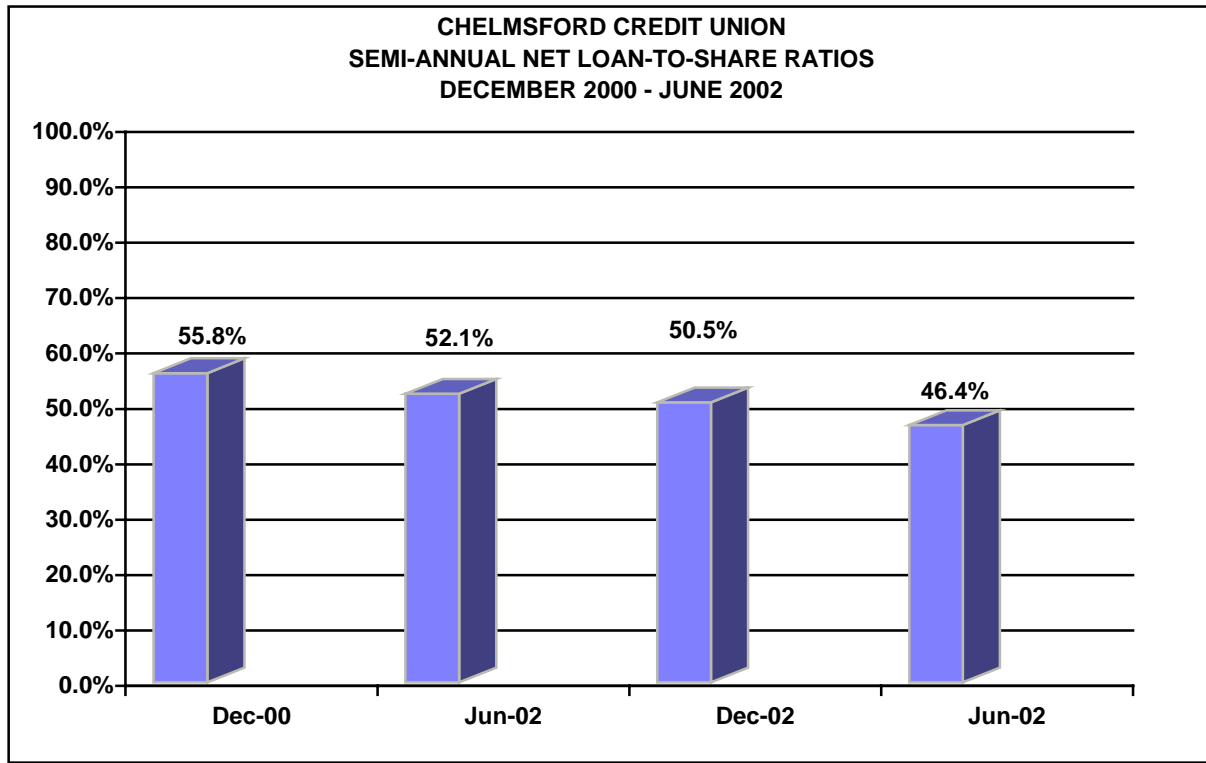
## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT (SHARE) ANALYSIS**

An analysis of Chelmsford Credit Union's net loan to deposit (share) ratio was performed during the examination. The calculation incorporated the latest four semi-annual periods utilizing the net loan to total share figures from the NCUA 5300 reports. This review included the period December 31, 2000, through June 30, 2002.

The institution's average net loan to share ratio during this period was determined to be 51.2 percent which is reasonable given the credit union's asset size, resources, competition, lending strategy and the credit needs of its assessment area.

Deposits increased by 36.2 percent versus net loans, which increased by 13.2 percent over the period, reviewed. Management attributes the lower rate of growth in loans to the high volume of used auto loans, which have smaller origination amounts. The net loan-to-share ratio appears to be adequate given the credit union's scope of operation. Chelmsford Credit Union's loan to share ratio meets the standards for satisfactory performance.



Source: NCUA Call Reports

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)**

Data regarding the credit union's real estate related and consumer loan activity for 1999, 2000, 2001 through July 26, 2002 was reviewed to determine the proportion of loans originated inside and outside of the assessment area by number of originations and dollar amount. Mortgage lending data was obtained from the credit union's in-house files.

Chelmsford Credit Union originated nine real estate loans totaling \$231,000. These loans were all granted in the Town of Chelmsford, the assessment area.

The credit union granted 148 consumer loans in 1999; 167 loans in 2000; 173 loans in 2001 and 89 loans as of year-to-date July 26, 2002, for a total of 577 loans. A sample of 60 consumer loans from these years was reviewed. Of these loans, 44 or 73.3 percent were granted in the Town of Chelmsford representing the majority of consumer loan originations.

<b><i>Distribution of a Consumer Loan Sample, Inside and Outside of the Assessment Area</i></b>										
<b>Year</b>	<b>Number of Loans</b>					<b>Dollars in Loans (000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
1999	10	66.7	5	33.3	15	95	64.6	52	35.4	147
2000	11	73.3	4	26.7	15	87	60.4	57	39.6	144
2001	9	60.0	6	40.0	15	72	53.7	62	46.3	134
YTD 2002	14	93.3	1	6.7	15	103	92.8	8	7.2	111
<b>Total</b>	<b>44</b>	<b>73.3</b>	<b>16</b>	<b>26.7</b>	<b>60</b>	<b>357</b>	<b>66.6</b>	<b>179</b>	<b>33.4</b>	<b>536</b>

Source: In-House Files

Chelmsford Credit Union's loan distribution reflects a good level of lending within its assessment area. Therefore, the institution's performance meets the standards for satisfactory performance for this criterion.

### **3. LENDING TO BORROWERS OF DIFFERENT INCOMES**

An analysis of residential mortgage loans extended within the credit union's assessment area, among various income levels was conducted. Originations were categorized by the ratio of the applicant's reported income to the 1999, 2000, 2001 and 2002 estimated median family incomes of the Lowell Metropolitan Statistical Areas (MSAs). The median family incomes for the Lowell MSA was \$61,800 for 1999, \$64,900 for 2000, \$70,200 for 2001 and \$75,200 for 2002. Income figures were based on estimated 2000 and 2001 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

The credit union granted no real estate related loans in 1999, 3 loans in 2000, 1 loan in 2001 and 5 loans through July 26, 2002, for a total of 9 loans during the current examination period. The following table provides a breakdown of residential mortgage loans originated by applicant income level. The table indicated that 11.1 percent were granted to low-income members and 33.3 percent were granted to moderate-income members.

<b><i>Real Estate Loan Originations by Income of Borrower by Number</i></b>										
<b>Median Family Income Level</b>	<b>1999</b>		<b>2000</b>		<b>2001</b>		<b>Y-T-D 2002</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	1	33.3	0	0.0	0	0.0	1	11.1
Moderate	0	0.0	0	0.0	1	100.0	2	40.0	3	33.3
Middle	0	0.0	0	0.0	0	0.0	1	20.0	1	11.1
Upper	0	0.0	2	66.7	0	0.0	2	40.0	4	44.5
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>3</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>

Source: U.S. Census, In-house records

The consumer loan analysis indicates that of the 44 loans within the sample and originated within the assessment area, 9.1 percent were granted to low-income members and 27.3 percent to moderate-income members.

<b><i>Consumer Loan Sample of Originations by Income of Borrower by Number</i></b>										
<b>Median Family Income Level</b>	<b>1999</b>		<b>2000</b>		<b>2001</b>		<b>Y-T-D 2002</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	1	9.0	1	11.2	2	14.4	4	9.1
Moderate	3	30.0	2	18.2	4	44.4	3	21.4	12	27.3
Middle	4	40.0	4	36.4	2	22.2	6	42.8	16	36.4
Upper	3	30.0	4	36.4	2	22.2	3	21.4	12	27.2
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>44</b>	<b>100.0</b>

Source: U.S. Census, In-house records

It should be stated that consumer loans typically consider the income of only one borrower, while the income is compared to median family income. Therefore, the distribution of loans to low and moderate income borrowers may be somewhat inflated.

The credit union has shown a willingness to lend to members of low and moderate income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

Lending activity within the assessment area was reviewed in order to determine the extent to which the credit union has been able to meet the credit needs of the assessment area.

The credit union has identified the Town of Chelmsford as its assessment area. However, it is noted that the credit union is not a HMDA-reporter due to its small asset size per HMDA reporter guidelines. Therefore, census tract information has not been collected and an analysis of geographic distribution was not performed.

## **5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES**

Chelmsford Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

### **FAIR LENDING POLICIES AND PRACTICES**

The credit union's small size and restricted resources limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. Outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The institution has developed a second review process where all loans considered for denial are referred to the Credit Committee by the loan officer prior to the issue of a written notice of denial. Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.



**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**CHELMSFORD CREDIT UNION**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JULY 26, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at "(Address at main office)".

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.